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TO RUEHC/SECSTATE WASHDC PRIORITY 1123
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RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
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RUEHNH/AMCONSUL NAHA 8001
RUEHNAG/AMCONSUL NAGOYA 4271
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USTR FOR PUBLIC AFFAIRS OFFICE;
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CP BUTLER OKINAWA FOR AREA FIELD OFFICE;
PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR

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SUBJECT: TOKYO MEDIA REACTION - INTERNATIONAL EFFECTS
OF U.S. ECONOMIC SLOWDOWN

11. LEAD STORIES: Lead items in Tuesday morning papers included the plunge in Tokyo share prices during Monday's trading.

12. "U.S. Pump-Priming Measures Not Enough to Break Vicious Circle" The liberal Mainichi editorialized (1/22): "The U.S. economic slowdown has become more pronounced, and the possibility of a recession has emerged. The Bush administration has announced an economic stimulus package worth one percent of GDP, or \$140 billion to \$150 billion. While details will be worked out through consultations with Congress, tax cuts for individuals and corporations will be a key feature in the package, with a \$1,600 check likely to be sent to each household. The financial market has been critical of these pump-priming measures, because they lack specifics concerning how to deal with the subprime loan crisis, the top issue facing the U.S. economy.... In addition to fiscal spending, the U.S. is moving toward cutting interest rates. Lower interest rates would help financial institutions saddled with nonperforming loans by decreasing their operation costs. It is uncertain, however, that these measures will help jumpstart the U.S. economy. After all, the critical issue of subprime loans must be addressed first. To that end, the Bush administration needs to swiftly take action, including the injection of public funds."

13. "How to Deal with U.S. Economic Slowdown" The business-oriented Nikkei stressed (1/20): "While

economic stimulus measures in the U.S. are welcomed, it remains to be seen whether those steps can reinforce the U.S. economy, which appears to be slowing down across the board, including employment, consumption, and corporate earnings. The Bush administration and the Federal Reserve Bank are being called on to do their utmost in order to avoid a situation similar to what happened when the Japanese economy plunged into crisis due to bank failures in 1997. For the Japanese, this is not someone else's problem, and it is regrettable that the Fukuda cabinet appears unconcerned about America's economic woes."

SCHIEFFER